

Retiree Prescription Coverage May Change



Senior Health Insurance
Information Program

Ask SHIIP

Doris Higgins
Regional Program Manager

Q: I recently received a letter from my former employer stating that starting January 2006 prescriptions will no longer be covered under my retiree health insurance. They promised to send more information later in the year. What should I do?

A: Employment based retiree health insurance has been an important source of prescription coverage for many people with Medicare. Unfortunately as prescription drug costs have risen, some employers and unions have reduced benefits, or significantly increased the cost to retirees. Some have even discontinued prescription coverage.

Some employers or unions may choose to discontinue prescription coverage to their Medicare eligible retirees starting January 1, 2006 when the Medicare Part D Prescription Drug Plans become available.

It is hoped more will instead choose to continue covering retirees since Medicare is offering a subsidy to those who provide coverage at least as generous as the standard coverage under the Medicare Part D Plans. The financial support from the new Medicare drug subsidy should help employers and unions offer retirees better and less costly prescription coverage. Employers and unions will individually decide whether or not to accept the subsidy.

Another option available to employers is to encourage their retirees to enroll in a Part D Plan by offering additional coverage that supplements a standard Part D Plan. This additional coverage could wrap around a Part D Plan by paying premiums, co-pays and/or deductibles. As with other insurance through an employer or union, they would decide what they will, or will not, cover and how much, if anything, they will charge you. Your former employer may be considering this type of assistance.

For now there is not much for you to do but learn more about the new Medicare Part D Prescription Drug Plans. The standard coverage for a Medicare Part D Plan is expected to look like this:

Monthly premium: about \$35

Annual deductible: \$250

Co-pay (what you pay):

- 25% of your drug costs from \$250 to \$2,250
- 100% of your drug costs from \$2,251 to \$3,600
- 5% of your drug costs after \$3,600 (catastrophic coverage)

Low-income assistance will be available and enrollment will begin in November 2005. We will know more once Medicare announces this fall which companies have been approved to offer the new Medicare Part D Prescription Drug Plans.

Once you get that second letter from your former employer, it should lay out your choices in specific terms. To answer questions about your employer's retiree coverage you would need to call the company's benefits coordinator (most likely someone in human resources). For questions regarding Medicare Part D Prescription Drug Plans you can call 1-800-Medicare or SHIIP at 1-800-452-4800. You can also visit www.medicare.gov

Sources:

<http://www.cms.hhs.gov/medicarereform/pdbma/employer.asp>

Address your questions to:

Ask SHIIP
311 W. Washington Street
Ste. 300
Indianapolis, IN 46204
Or www.in.gov/idoi/shiip
1-800-452-4800

SHIIP is a free, unbiased counseling program provided by the Indiana State Department of Insurance. For assistance, call your local SHIIP site to make an appointment or call the state office at 1-800-452-4800 to obtain a list of local SHIIP sites.